Cash Management

Presentation to Government Finance Committee April 27, 2022

Retirement & Investment Officer (RIO)/State Investment Board (SIB)

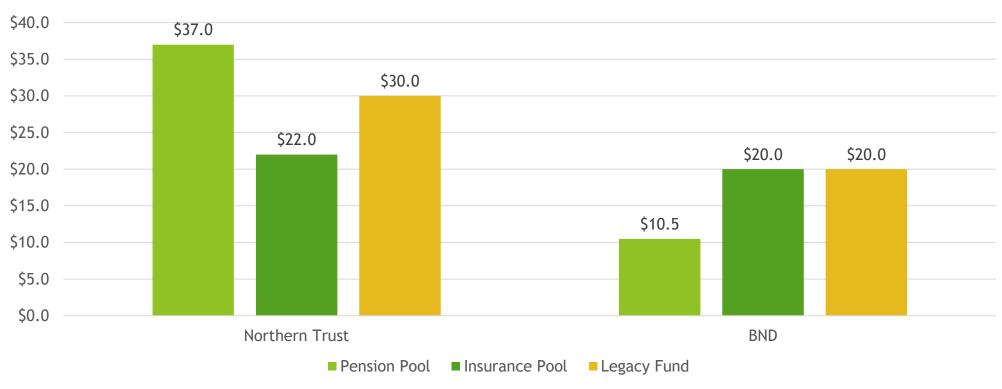
Connie Flanagan, CFO/COO

Scott Anderson, CIO

Jan Murtha, Executive Director

- ▶ SIB clients have an option in their Investment Policy Statement/Asset Allocation for a targeted allocation to cash
- If no target is indicated, a small balance (less than 1%) is maintained for short-term liquidity needs
 - Fee payments
 - Capital calls
 - Withdrawal requests
- ▶ Two cash accounts each are set up for the pension pool, insurance pool and Legacy Fund
 - ► Short-Term Investment Fund (STIF) at the custodian bank
 - ► Commingled vehicles managed by Northern Trust rates vary targeted to 90 day T-bill return
 - Used for cash for more immediate needs
 - ► More efficient for daily operating purposes only requires transfer between accounts at custodian bank (no wires)
 - Account at BND
 - ▶ Slightly higher interest rate (guaranteed) one month LIBOR plus 10 basis point (0.10%)
 - Used for excess cash balance beyond immediate needs
 - Less efficient for operating purposes requires wires to be sent between BND and custodian bank (extra step in process)





Investment Manager Portfolio Cash

- Each investment manager portfolio holds some cash for transactional purposes.
- Portfolio cash balances are held at the discretion of the portfolio manager.
 - Investment guidelines generally limit the amount of cash the manager can hold
 - Holding too much cash can be a drag on performance
 - Manager portfolio level returns are calculated on the entire balance in the portfolio, including cash
- ► The cash is held in the same custodian-managed cash funds described on the previous page but is part of the managers' allocations as opposed to the cash allocation.

Cash Flows

Client Fund Cash Flows

Pension Funds

Contributions in and Benefit Payments out

Insurance Funds

Contributions from Premiums in and Claims Payments out

Legacy Fund

Tax Deposits in and Biennial Transfer to GF out

Capital Calls & Distributions

Private Investments

Managers request funds as investments are identified and return profits as investments mature and are sold

Managers provide advanced notice for capital calls and distributions. Cash is invested in other asset classes/accounts until needed (not simply held in cash account)

Staff monitors available cash balances to ensure adequate liquidity - rebalancing done as needed.

Potential Areas for Improvement

- 1. Ability to better manage end of biennium transfers to General Fund for Legacy Fund and Budget Stabilization Fund may require statutory language changes
- 2. Install a collateral account for liquidity needs. Hold exposures with derivatives to reduce cash drag on plan returns
- 3. Sweep funds across state entities into a commingled cash fund that is allocated based on cash in, cash out and stable cash balances
- 4. Expand the cash fund clientele to include local communities.

Retirement & Investment Office/State Investment Board (SIB) Client Funds as of December 31, 2021

		Rates of Return (net of fees)											
	Fair Value]	For Quart	er Ended		FYTD	Annualized periods ended December 31, 2021						
		09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	
Total Assets Under Management	\$20,125,896,906												
BENCHMARKS													
S&P 500		0.58%	11.03%			11.67%	28.71%	26.07%	18.47%	16.55%	9.52%	10.65%	
Bloomberg Aggregate		0.05%	0.01%			0.06%	-1.54%	4.79%	3.57%	2.90%	4.33%	5.29%	
90 Day T-Bill		0.01%	0.01%			0.02%	0.05%	0.99%	1.14%	0.63%	1.29%	2.47%	
Callan Public Plan Sponsors Database (Media	an-GROSS of Fees) **	0.36%	4.09%			4.47%	10.71%	11.27%	10.89%	8.59%	7.21%	8.65%	

^{**} Callan median returns are gross of fees due to lack of reporting to the database on a net of fee basis. Please note that all actual fund returns are net of fees.

		% of	Rates of Return (net of fees)											
	Fair Value	Pool	For Quarter Ended				FYTD	Annualized periods ended December 31, 2021						
PENSION POOL PARTICIPANTS			09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	
Teachers' Fund for Retirement	\$3,375,140,504	42.9%	0.37%	5.10%			5.49%	16.21%	15.39%	11.51%	10.05%	7.37%	7.86%	
Public Employees Retirement System	4,219,396,011	53.6%	0.29%	5.33%			5.63%	16.70%	15.60%	11.67%	10.11%	7.59%	8.20%	
Bismarck City Employee Pension Fund	\$132,177,186	1.7%	0.32%	4.50%			4.84%	13.82%	13.45%	10.25%	9.15%	7.19%	7.93%	
Bismarck City Police Pension Fund	\$53,878,750	0.7%	0.33%	4.83%			5.18%	15.15%	14.22%	10.75%	9.52%	7.27%	7.91%	
City of Grand Forks Pension Fund	\$83,893,273	1.1%	0.30%	5.59%			5.90%	17.19%	16.24%	12.02%	10.42%	*	*	
Grand Forks Park District Pension Fund	\$9,824,641	0.1%	0.07%	4.74%			4.80%	15.81%	15.14%	11.49%	10.29%	*	*	
Subtotal Pension Pool Participants	\$7,874,310,366	100.0%					•	•						

		Rates of Return (net of fees)											
	Fair Value		For Quarter Ended				Annualized periods ended December 31, 2021						
INDIVIDUAL INVESTMENT ACCOUNTS		09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	
Legacy Fund	8,742,356,194	0.10%	3.64%			3.75%	11.28%	13.84%	9.87%	6.68%	*	*	
Retiree Health Insurance Credit Fund	185,715,691	-0.96%	3.80%			2.80%	11.09%	15.60%	10.71%	9.71%	6.94%	7.81%	
Job Service of North Dakota Pension Fund	95,431,780	-0.05%	1.23%			1.18%	3.52%	5.50%	4.92%	6.58%	5.98%	*	

Retirement & Investment Office/State Investment Board (SIB) Client Fund

		Rates of Return (net of fees)												
	Fair Value	% of Pool	For Quarter Ended				FYTD	An	nualized p	periods en	ods ended December 31, 2021			
INS URANCE POOL PARTICIPANTS		1 001	09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	
Workforce Safety & Insurance Fund	\$2,333,012,237	72.3%	0.22%	2.12%			2.34%	5.57%	9.62%	7.55%	7.22%	6.13%	7.14%	
State Fire and Tornado Fund	23,442,289	0.7%	0.09%	2.52%			2.61%	7.20%	11.09%	8.07%	7.86%	6.39%	6.66%	
State Bonding Fund	3,859,344	0.1%	0.13%	0.11%			0.24%	-0.14%	3.81%	3.24%	3.07%	3.21%	4.50%	
Petroleum Tank Release Fund	6,280,294	0.2%	0.13%	0.11%			0.23%	-0.05%	3.54%	3.04%	2.82%	2.94%	*	
Insurance Regulatory Trust Fund	1,737,437	0.1%	0.03%	2.02%			2.06%	5.88%	9.66%	6.93%	6.35%	5.42%	5.88%	
State Risk Management Fund	4,068,138	0.1%	0.14%	2.82%			2.97%	7.44%	11.19%	8.16%	8.14%	6.57%	*	
State Risk Management Workers Comp	2,740,361	0.1%	0.10%	3.44%			3.54%	9.17%	12.52%	8.98%	8.99%	*	*	
Cultural Endowment Fund	625,344	0.0%	-0.01%	4.64%			4.62%	12.99%	14.89%	10.50%	10.52%	*	*	
Budget Stabilization Fund	748,396,179	23.2%	0.22%	-0.39%			-0.16%	0.93%	3.02%	2.24%	2.07%	*	*	
ND Assoc. of Counties (NDACo) Fund	7,957,152	0.2%	0.08%	2.58%			2.66%	7.10%	11.58%	8.14%	7.53%	5.92%	*	
City of Bismarck Deferred Sick Leave	864,137	0.0%	0.11%	2.10%			2.21%	5.92%	10.47%	7.72%	7.55%	6.41%	*	
PERS Group Insurance	33,710,003	1.0%	0.00%	0.00%			0.00%	0.86%	2.85%	2.19%	1.24%	1.68%	*	
State Board of Medicine	3,145,067	0.1%	0.08%	2.18%			2.26%	5.53%	8.93%	6.25%	*	*	*	
City of Fargo FargoDome Permanent Fund	49,731,037	1.5%	0.12%	3.47%			3.60%	10.55%	13.61%	9.59%	9.34%	*	*	
Lewis & Clark Interpretive Center Endowment	937,289	0.0%	0.06%	2.32%			2.38%	6.45%	11.45%	*	*	*	*	
Attorney General Settlement Fund	3,745,525	0.1%	0.22%	-0.39%			-0.16%	0.93%	*	*	*	*	*	
Veterans' Cemetery Trust Fund	495,608	0.0%	0.14%	3.68%			3.83%	10.75%	*	*	*	*	*	
NDUS Capital Building Fund	3,335,436	0.1%	*	*			*	*	*	*	*	*	*	
Subtotal Insurance Pool Participants	\$3,228,082,876	100.0%												